



ANNUAL REPORT 2009

The Sentinel Mining Industry Retirement Fund is a pure defined contribution pension fund registered in terms of the Pension Funds Act, No 24 of 1956 and the Income Tax Act, No 58 of 1962.



The Fund offers flexible investment choice and pension income choice to members. Assets are actively managed through a multi-manager approach, and at 30 June 2009 the fair value of these assets under management amounted to R31 193 million.

Currently the Fund serves the interests of 33 460 members and 22 398 pensioners. One hundred and two employers participate in the Fund.

The Fund provides membership to employers and employees in the mining and mining-related industries in South Africa.

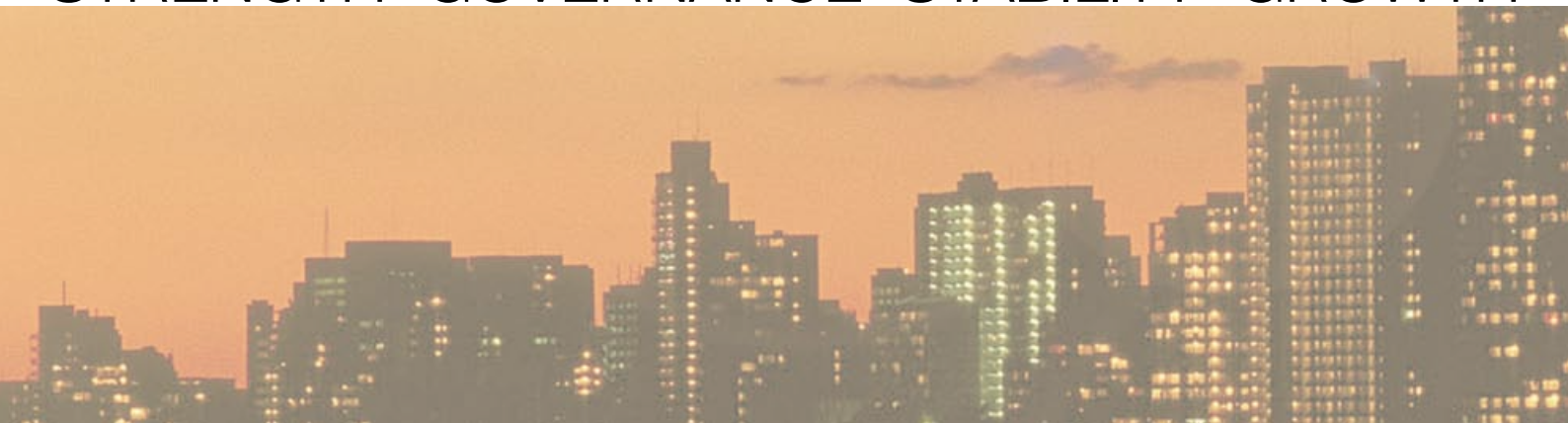
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[www.sentinelretirement.co.za](http://www.sentinelretirement.co.za)

*We consistently deliver our strategy through:*

**STRENGTH GOVERNANCE STABILITY GROWTH**





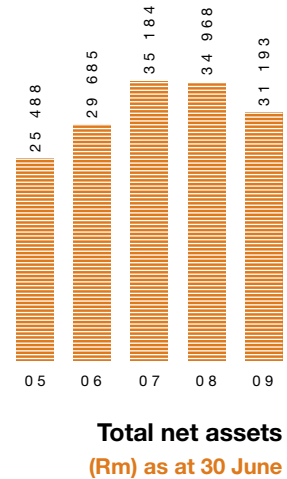
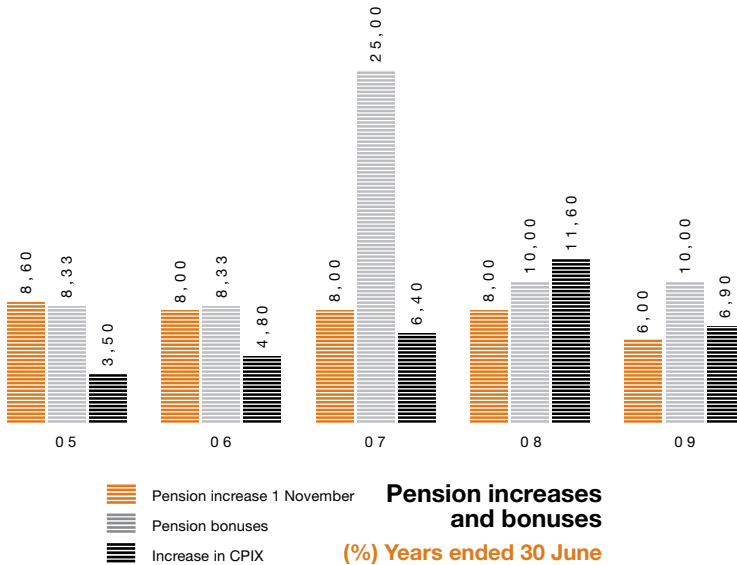
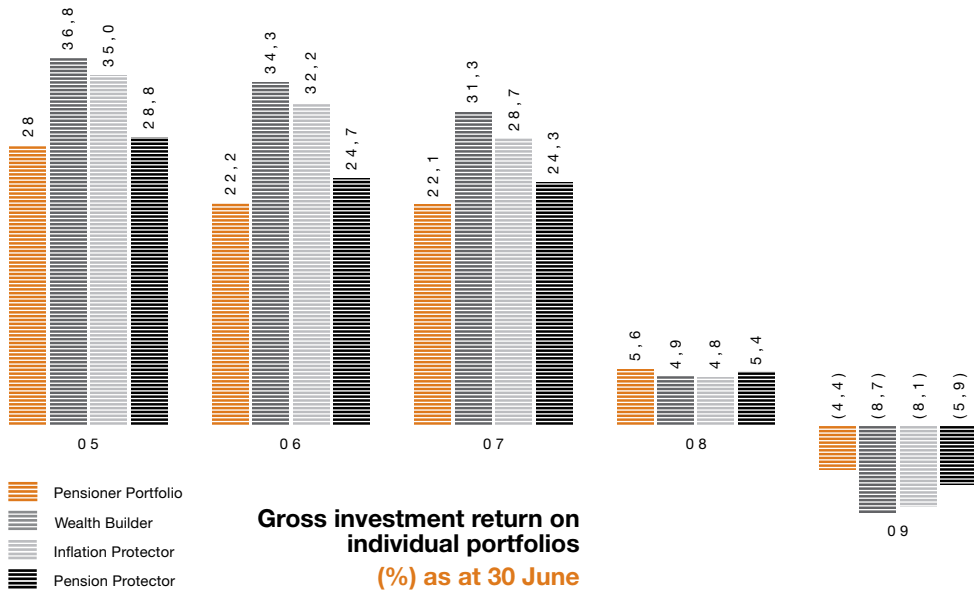
**2009 Returns**  
 between **(4,4)%**  
 and **(8,7)%**

**2009 Increases**  
 pension **6,0%**  
 bonus **10,0%**

**Net assets**  
 30 June 2008: (Rm)  
**34 968**

**Member transactions: (Rm)**  
**(1 908)**

**Net negative growth**  
**(1 867)**  
 30 June 2009: (Rm)  
**31 193**





1



2



3



4



5



6



7



8



9



10



11



12



(1) AB la Grange (Chairman), (2) PD Zeeman (Audit Committee – Chairman),  
 (3) FJ Visser (Chief Executive Officer and Principal Officer), (4) NA Monaheng,  
 (5) CB Stofile, (6) AC Bardin, (7) JC Fourie, (8) PY Williamson, (9) BJ Drew,  
 (10) Mrs N Erasmus, (11) DE Watcham, (12) Mrs HH Hickey, (13) JPL Bezuidenhout,  
 (14) LP Grobler, (15) J de Vos Hugo, (16) TJP Kruger, (17) D Smith, (18) SA Wall, (19) DF Maritz



## Members of Committees

Audit and Compliance Committee	Investment Committee	Claims Committee	Review Committee	Human Resources Committee
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**Chairman:**  
PD Zeeman  
*(Independent non-executive)*

**Members:**  
JPL Bezuidenhout  
J de Vos Hugo\*  
JC Fourie  
HH Hickey (Mrs)  
D Lourens  
Y Seedat  
D Smith  
AP van der Merwe\*  
LJ van der Merwe  
KPE Wakeford

**By invitation:**  
AB la Grange

**Chairman:**  
J Liackman  
*(Independent non-executive)*

**Members:**  
JPL Bezuidenhout  
BJ Drew  
N Erasmus (Mrs)†  
JC Fourie  
HH Hickey (Mrs)†  
CB Stoffie  
KPE Wakeford

**By invitation:**  
AB la Grange

**Chairman:**  
FJ Visser

**Members:**  
JPL Bezuidenhout‡  
VR Esselaar\*\*  
JJ Henning‡  
TJP Kruger‡  
DJ Ngwane

**By invitation:**  
AB la Grange

**Chairman:**  
FJ Visser

**Members:**  
AC Bardin  
JPL Bezuidenhout  
T Bowers (Mrs)  
BJ Drew  
N Erasmus (Mrs)†  
VR Esselaar  
TJP Kruger  
D Smith  
SA Wall

**By invitation:**  
AB la Grange

**Chairman:**  
AB la Grange

**Members:**  
AC Bardin  
JPL Bezuidenhout  
HH Hickey (Mrs)  
TJP Kruger\*  
DF Maritz  
K Morodi (Ms)  
AP van der Merwe\*  
JDFAF van Niekerk  
SA Wall

*Note: Committees are sub-committees of the Board of Trustees of the Mine Employees Pension Fund (MEPF) and Sentinel Mining Industry Retirement Fund (Sentinel) except the claims committee which is a sub-committee of the Fund (Sentinel) itself.*

\* Mine Employees Pension Fund (MEPF) only  
\*\* Chamber of Mines representative (Alternate to VR Esselaar: N Erasmus (Mrs))  
‡ Alternate to JPL Bezuidenhout, TJP Kruger and JJ Henning: SF Stehring  
† Alternate to N Erasmus (Mrs) and HH Hickey (Mrs): K Mourant





The financial period under review has been characterised by extreme domestic and global market weakness, a downturn in economies around the globe and failure by some of the world's largest and most respected companies. The effects of the crash in international financial markets have been far reaching, necessitating bold and large scale interventions worldwide. South Africa did not escape the ravages of this meltdown and experienced an economic recession for the first time in many years.

The Fund also experienced the pressure of these unprecedented conditions, the toughest and most challenging in many years, maybe even in our lifetimes! This has presented extraordinary challenges to the Board of Trustees, Board Committees, management, staff and all our asset managers.

It is impossible to escape the consequences of an investment market meltdown, but the associated risks have been mitigated as far as possible through disciplined asset and liability management, innovative asset allocation between asset classes and the strict monitoring and management of asset manager performance. The Life Stage Portfolios and Pension Income Choice options available have further provided some shielding from the turmoil to members.

These initiatives have served us well providing evidence that implemented strategies are effective. Market beating performance has been achieved through a proactive yet careful and conservative approach, protecting value for members and pensioners and extracting returns, even during this turbulent time.

Notwithstanding the difficulties experienced over the year, we have built an exemplary institution with a low cost base, high levels of governance and excellence in service as hallmarks. The high standard of member



Chairman  
AB la Grange

and pensioner communication produced by the Fund has again been recognised with the Fund being awarded an “Africa Quill” by the International Association of Business Communicators (IABC). We can, however, always improve and to this end continually seek innovative approaches in our combined quest for excellence.

Although further market volatility is expected the Fund is well positioned, with active risk management strategies in place, for the anticipated domestic and international economic upturn. Diligence, however, will be required to endure this market storm.

The world is a different place than 18 months ago! We all need to adjust how we prepare for, and react to, a fast changing and extremely challenging investment environment. The Fund's prime aim will remain the growing and protecting of value for members and pensioners together with delivering the best administration service possible.

Although currently not required by law, retirement funds, as the guardians of primary long-term savings capital, have a significant role to play in ensuring transformation at all levels of society. To this end the Fund makes a meaningful impact on social development with a BEE policy that supports broad-based BEE initiatives through the investments of the Fund, the procurement and use of BEE compliant service providers and the employment of appropriate staff to service the Fund.

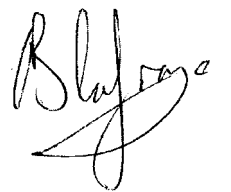
## In conclusion

For their commitment, dedication and insight during the past year, I want to express my sincere gratitude to the entire Board of Trustees, the various Board sub-committees, the Chairperson of the Investment Committee, Mr John Liackman, and the Chairperson of the Audit and Compliance Committee, Mr Piet Zeeman, who all served us in an exemplary manner.

I also need to thank the Chief Executive Officer, Mr Eric Visser, together with senior management and staff of the Fund for their diligence and unwavering commitment to excellence in all areas of operation – we are truly blessed to have a dedicated and knowledgeable team assist us in steering this ship through turbulent waters.

On 6 May 2009, the Fund lost one of its own when Mr CJJ van der Merwe passed away peacefully after serving the Fund and its pensioners with distinction for more than a decade. For his sterling contribution over many years as a Trustee I convey my heartfelt appreciation together with our condolences to his loved ones, colleagues and friends.

This annual report provides an overview of the past year and readers are invited to study it and engage with the Fund if any clarification or explanation is required.



**André la Grange**  
Chairman

8 October 2009





## Key highlights

- Pension increase 6,0%
- Communication excellence
- Membership growth
- Competitive investment returns

## Priorities for 2010

- Efficiencies and cost control
- Optimisation of investment returns
- Focus on strategies to strengthen core values

	Gross investment returns		
	2009 %	2008 %	Three years to 2009* %
Member portfolios			
Wealth Builder	(8,7)	4,9	7,9
Inflation Protector	(8,1)	4,8	7,4
Pension Protector	(5,9)	5,4	7,2
Pensioner portfolio	(4,4)	5,6	7,2

\*Annualised

	2009 (Rbn)	2008 (Rbn)
Net assets	31,2	35,0

	2009 %	2008 %
Pension increase	6,0	8,0
Pensioner bonus	10,0	10,0



Chief Executive Officer  
FJ Visser

Strategic investment decisions implemented by the Fund over a number of years have, during the period under review, been thoroughly tested by severe volatility and weakness in both global and domestic markets together with a sharp slump in most world economies. Notwithstanding this extreme operating environment, the Fund has endured with investment portfolios displaying the desired robustness generating market beating performance.

Through best-of-breed retirement benefit income options, individual member investment choice options and commitment to the highest standards of management, service and corporate governance, the Fund has performed exceptionally well during these turbulent times.

### **Investment management and performance**

The past year has been a difficult one to say the least yet overall performance achieved reflects the effects of prudent and innovative structures put in place to minimise the impact of an investment market that had moved south on a steep decline.

The Fund's multi-portfolio investment approach and proactive asset allocation strategy provided a cushion for sharply declining international and local stock markets. Despite a multitude of highly turbulent months, most of the asset classes with the exception of nominal bonds and local hedge funds, have managed to

outperform their set benchmarks. All of these asset classes have performed well over the longer term.

The Fund has again increased exposure into private equity investment opportunities with further investments into Africa continuing to enhance the overall international equity structure.

The Fund continually applies a disciplined and flexible investment approach to ensure that returns are enhanced over time.

### **Benefits**

The flexible membership structure of the Fund continues to allow members and their employers to negotiate contribution rates, normal retirement age and pensionable salary.

Roll out of the Fund's pension-backed home loan guarantee offering to members and employers has now been implemented with many of the large employers participating in this product. Further roll out will take place based on employer and member requirements.

### **Administration**

A commitment to maximising efficiencies has included, amongst others, the following:

- Meetings of the Board of Trustees, committees and Board sub-committees are held regularly throughout the year to ensure the effective and proactive management of the Fund.





- The Fund's benefit and administration system, Omni Plus, continues to deliver further efficiencies and an effective administration solution.
- Timeous pensioner payments, totalling R1 647 million for the year.
- Effective administration of investments, producing daily values for the different portfolios.

**Pension increases and bonuses**

Whilst recognising the importance of the increases that the Fund grants to its pensioners and the Board of Trustees' objective to counter the erosive effect of inflation on the purchasing power of pensions, it is to be noted that annual pension increases are not guaranteed. These increases are dependent on the investment performance achieved by the underlying assets and the funding level of the Pensioner Portfolio. The core priority is to keep the Fund financially sound over the long term.

Based on the Fund's pension increase policy, the Board of Trustees granted a pension increase of 6,0% on 1 November 2009 (1 November 2008: 8,0%) compared to a 6,9% CPI (2008 CPIX: 11,6%) increase for the year to 30 June 2009.

In addition, the Board of Trustees was able to award a special once-off bonus of 10,0% of annual pension to pensioners payable in November 2009. A 10% of annual pension bonus was paid in November 2008.

**Corporate governance**

In ensuring that the Board of Trustees optimally fulfils its fiduciary responsibilities, various Board sub-committees perform a pivotal role in effectively managing and monitoring the affairs of the Fund.



The Fund is committed to the highest levels of corporate governance and to this end the Audit and Compliance Committee of the Fund provides invaluable guidance and direction, ensuring accepted principles are implemented.

## Transformation and BEE

The Fund follows a broad-based BEE policy through its various operating activities intended to ensure transformation at all levels of society. The main vehicles utilised in this regard include:

- A Socially Responsible Investment (SRI) strategy that allocates a set percentage of total assets to target appropriate SRI projects and investments.
- An incubation programme focusing on emerging black asset and investment managers who have the potential to add value to the Fund's portfolios and who would not be otherwise identified in the Fund's standard institutional investment manager research process.
- Service providers to the Fund, including asset managers, must be committed to the transformational goals of the Codes of Broad-based Black Economic Empowerment.
- The Fund's own policies on employment.

## Social security and retirement reform

The ongoing reform initiatives in the retirement fund industry continue with no clear path yet established. The Board of Trustees has and will continue to engage with the Financial Services Board, the Department of Finance and the Department of Social Development with the objective of having the Fund recognised as being one of the funds of choice within the mining industry.

## Appreciation

I express my heartfelt thanks to the Board of Trustees and the Chairman, Mr André la Grange, for their dedication and support in promoting the interests of the Fund during this difficult year.

Significant value has been generated by the various Board committees ensuring that best practice is followed in areas of sound governance, risk management and the direction of our focus towards customer service and delivery to all our constituents. For this I thank them.

My sincere gratitude to management and staff for their commitment and efforts in ensuring that the highest standards of administration and investment management continue to be achieved.

To the service providers and strategic partners of the Fund, for the invaluable contribution made towards the Fund's success, including our asset consultant, Jarred Glansbeek of Riscura, and our actuary André Pienaar, to name but a few, I express my appreciation.

Lastly, I wish to convey my deepest gratitude to all our participating employers, members and pensioners for their continued and loyal support.

I am confident that with the support of all stakeholders, the next financial year, though it may be bumpy at times, will prove to be successful and that the Fund is well positioned to make optimal use of any opportunities that may arise.



**FJ Visser**

Chief Executive Officer

8 October 2009



The Board of Trustees is pleased to submit the annual report for the financial year ended 30 June 2009. The annual financial statements, set out on pages 28 to 41, summarise the transactions and net assets of the Fund. These annual financial statements do not take account of future liabilities such as the payment of future pensions and other benefits. The actuarial valuation of the Fund reflects such liabilities.

These annual financial statements have been prepared applying limited disclosure compared to the Financial Services Board (FSB) required regulatory information. A fully compliant set of annual financial statements in the required FSB format is available at the registered office of the Fund.

### **Corporate profile**

The Fund was established in 1946 and is registered in terms of the Pension Funds Act, No 24 of 1956 and the Income Tax Act, No 58 of 1962, under registration number 092. The Fund is managed on defined contribution principles for active members, while pensioners have a separate pool of assets in the Fund. Sentinel currently has 33 460 members and 22 398 pensioners.

Sentinel is one of the largest self-administered pension funds in South Africa and actively pursues growth through competitive asset management and by the provision of flexible benefits. In applying a holistic approach towards retirement planning, Sentinel offers member, spouse and child pensions, as well as risk benefits (death and disability). The flexible benefit structure allows members and their employers to negotiate essential elements of membership such as contribution rates, normal retirement age, as well as their pensionable salary.

A total of 102 employers participate in the Fund. A list of all participating employers is available at the registered office of the Fund and also on its website.

The management and staff members of Sentinel Mining Industry Retirement Fund and the Mine Employees Pension Fund jointly administer the two Funds. Our employees are accountable to both Boards of Trustees.

The core vision of the Board of Trustees is to assist members to achieve a financially secure retirement and to provide pensioners with a sustainable monthly income.

### **Mission statement**

Our mission is "to position and grow the Sentinel Mining Industry Retirement Fund to provide appropriate retirement solutions for all the people in the mining and related industries".

### **Investments**

#### **Investment strategy**

The Board of Trustees holds the ultimate responsibility for the investment strategy of the Fund. It is assisted in the formulation of the investment strategy by the Investment Committee and investment consultants.

The Fund follows a "life-stage" approach to pension funding. Three distinct market-linked portfolios have been developed for active members and a portfolio for pensioners. Each portfolio is designed to meet the specific needs of each category of member, and as such exhibits different risk and return profiles. The profiles are achieved by applying a different asset allocation to each. (See page 12 for details.)



Factors taken into consideration in construction of the asset allocation for each portfolio includes, but is not limited to:

- regulatory compliance;
- capital preservation for members close to retirement;
- volatility of returns;
- real returns (i.e. taking inflation into account);
- diversification;
- asset/liability matching; and
- risk tolerance (including a wide variety of risks faced by members).

In addition to these, members also have the choice of investing in either a cash only portfolio or a capital protection portfolio.

The investment strategy, which is subject to regular review, also specifically regulates investments in direct property, derivatives, pooled investments, unlisted assets and socially responsible investments.

With the exception of the Capital Protection Portfolio, the different portfolios all share in the same underlying asset manager structure with asset class weightings being the only difference between the portfolios to reflect the different risk profiles and investment objectives.

In support of this strategy, the Fund launched an Advisory Service in 2007 to assist members and pensioners with their retirement planning and also their investment choices.

Asset managers are appointed with due regard being given to investment style, philosophy, experience, track record, reputation and financial strength. As part of its BEE strategy the Fund has allocated funds to a manager to assist with the development and transformation of the asset management industry.

All managers are monitored and managed dynamically on a real-time basis so as to maximise management and performance efficiency. The multi-manager structure is monitored on an ongoing basis to ensure managers stay within their mandates and continue to deliver superior performance within their risk budget.

### Investment portfolios

	Pensioners	Members		
		Wealth Builder	Inflation Protector	Pension Protector
Life stage	Post-retirement	More than 12 years to retirement	5 to 12 years to retirement	Less than 5 years to retirement
Investment objective (after tax)	Inflation plus 4,7%	Inflation plus 6%	Inflation plus 4,9%	Inflation plus 3,7%

Cash and capital protection portfolios are additional options.

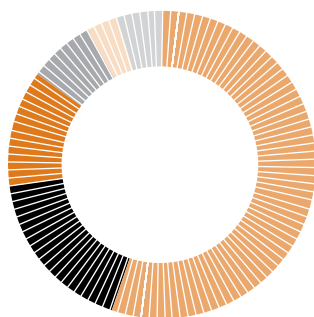


**Asset allocation ranges**

Asset class	Pensioners	Wealth Builder	Inflation Protector	Pension Protector
Equity (Local)	31% – 39%	58% – 68%	53% – 63%	40% – 48%
Equity (International)	15% – 25%	15% – 25%	15% – 25%	15% – 25%
Nominal bonds (Local)	11% – 19%	0% – 8%	0% – 10%	5% – 15%
Cash (Local)	2% – 8%	1% – 7%	1% – 7%	1% – 7%
Inflation-linked bonds (Local)	15% – 30%	2% – 12%	4% – 14%	12% – 22%
Interest-bearing (International)	0% – 7%	0% – 7%	0% – 7%	0% – 7%

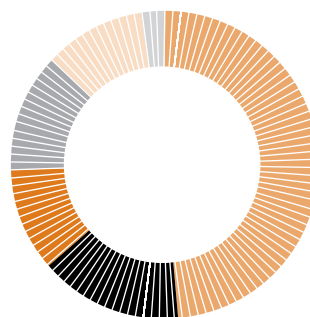
**Notes**

1. Equity (Local) includes listed property.
2. Local and international equities are subject to a combined maximum of 75% of total assets.
3. Equity (International) includes African equity.



**Funds invested in the different portfolios at 30 June 2009**

■ Pensioner	55,3%
■ Wealth Builder	17,7%
■ Inflation Protector	12,0%
■ Pension Protector	7,2%
■ Risk and other	3,1%
■ MIC Cash	4,7%



**Total asset allocation as at 30 June 2009\***

■ Equity (Local)	48,8%
■ Equity (International)	14,9%
■ Nominal bonds (Local)	10,8%
■ Cash (Local)	12,7%
■ Inflation-linked bonds (Local)	10,3%
■ Interest-bearing (International)	2,5%

*\*Adjusted for local TAA (1,2%), local hedge fund (6,9%), local private equity fund (4,6%), international TAA (0,9%) international hedge fund (6,9%) and international private equity (0,6%) underlying class exposure.*

The asset allocation of the portfolios is allowed to move within their ranges and is monitored on an ongoing basis. Should an asset class move beyond the approved range an asset class and/or manager reallocation will be triggered based on an approved asset rebalance procedure.

Unclaimed benefits and reserves are invested in cash or enhanced cash portfolios to ensure capital is protected, while still being actively managed to optimise returns.

The investment strategy of the Fund complies with circular PF 130 issued by the FSB and is available to stakeholders on request. It also addresses:

- Duties and responsibilities of role players
- Goals of the Fund
- Investment constraints
- Investment guidelines for asset managers
- Measurement of investment performance
- Risks faced by pension fund members

- The manager and mandate structure (includes fee structures)
- Sample mandates
- Scrip lending policy
- Policy on socially responsible investments
- Shareholder activism/Voting policy
- BEE policy
- Communication policy.

The investment strategy document of the Fund is treated as a living document which is updated on an ongoing basis.

## Investment performance

Annualised portfolio investment returns (gross) for the financial year to 30 June 2009:

	1 year	3 years	5 years
<b>Member portfolios</b>			
Wealth Builder	(8,7%)	7,9%	18,2%
<i>Benchmark</i>	<i>(17,5%)</i>	<i>4,2%</i>	<i>15,8%</i>
Inflation Protector	(8,1%)	7,4%	17,2%
<i>Benchmark</i>	<i>(16,2%)</i>	<i>4,1%</i>	<i>14,9%</i>
Pension Protector	(5,9%)	7,2%	14,6%
<i>Benchmark</i>	<i>(12,3)</i>	<i>4,5%</i>	<i>12,4%</i>
<b>Pensioner portfolio</b>	(4,4%)	7,2%	14,0%
<i>Benchmark</i>	<i>(9,9%)</i>	<i>4,4%</i>	<i>11,9%</i>

Annualised asset class investment returns for the financial year to 30 June 2009:

	1 year	3 years	5 years	10 years
<b>Local</b>				
Equity	(7,7%)	9,3%	23,1%	17,1%
<i>Benchmark</i>	<i>(17,6%)</i>	<i>5,9%</i>	<i>20,9%</i>	
Private equity	(5,2%)	N/A	N/A	N/A
Nominal bonds	18,3%	8,2%	9,9%	13,8%
<i>Benchmark</i>	<i>19,3%</i>	<i>7,7%</i>	<i>9,3%</i>	
Inflation-linked bonds	8,4%	11,9%	11,9% <sup>#</sup>	N/A
<i>Benchmark</i>	<i>8,2%</i>	<i>11,6%</i>	<i>11,4%</i>	
Cash	11,9%	10,6%	9,5%	10,0% <sup>*</sup>
<i>Benchmark</i>	<i>11,3%</i>	<i>10,1%</i>	<i>8,9%</i>	
Hedge funds	2,1%	8,0%	8,5% <sup>#</sup>	N/A
<i>Benchmark</i>	<i>11,3%</i>	<i>10,1%</i>	<i>9,3%</i>	
<b>International</b>				
Total assets	(11,8%)	(4,6%)	10,7%	N/A
<i>Benchmark</i>	<i>(30,4%)</i>	<i>(5,7%)</i>	<i>2,1%</i>	<i>N/A</i>

\* 9 years

# 4 years





Benchmarks are set for each asset class and each investment mandate, in consultation with investment consultants and asset managers. These benchmarks take the Fund's specific asset/liability and risk profiles into account. The Board continually monitors the actual investment performance of the various asset managers against these benchmarks.

The investment performance for the financial year ending 30 June 2009 reflects the extreme levels of volatility and uncertainty resulting from the global liquidity crunch.

The following key investment-related issues emerged:

- The conservative stance taken by active local equity managers in the previous financial year paid handsome dividends as reflected in their relative performance.
- Nominal bond managers were taken by surprise by aggressive rate cuts despite persistent inflation.
- Emerging markets were hit particularly hard by negative sentiment despite strong economic fundamentals.
- Global credit markets were severely impacted by the financial market meltdown, with spreads widening to levels last seen during the Great Depression.
- A concerted effort was made by global monetary and fiscal authorities to stabilise financial markets. The inflationary impact of these measures is quite difficult to gauge at this early stage.

Measures taken by the Fund to protect capital included:

- Maintaining low equity exposure
- Use of derivative overlays as protection
- Increased exposure to private equities
- Use of hedge funds to gain protection against equity market losses.

The focus over the next financial year will be to take advantage of opportunities created in credit markets, Africa and the private equity space. In this regard the Fund has recently completed an asset liability modelling exercise to adjust asset allocation levels to benefit from these expectations.

### **Investment management**

Only minor adjustments were made to the investment manager structure over the financial year. These include the appointment of corporate credit instrument managers and changes to listed and private equity managers.

Post financial year-end further adjustments were made to position the Fund for expected market conditions during the next financial year.

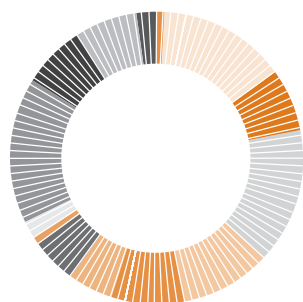
The Fund's investment mandates and asset managers as at 30 June 2009 are summarised as follows:



### Local equity

The benchmark for equity managers is the FTSE/JSE Shareholder Weighted Index (adjusted subject to mandates) and for the listed property manager the FTSE/JSE South African Listed Property Index. The equity hedge manager is measured against the Alexander Forbes Short Term Fixed Interest Index.

Investment performance objectives (per annum) range between benchmark +3% and benchmark +8%.

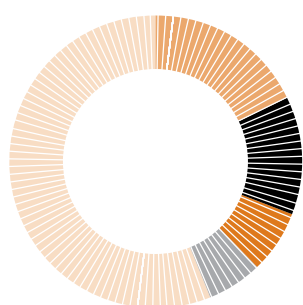


Local equity manager allocation as at 30 June 2009

Mandate	Manager		%
Financial and industrial	Afena Capital		1
Balanced	Allan Gray South Africa (Pty) Limited		14
Resources	Cadiz African Harvest Asset Management (Pty) Limited		7
Balanced	Coronation Asset Management (Pty) Limited		15
Hedge fund	Edge Capital (Pty) Limited		10
Balanced	Frater Asset Management		8
Financial and industrial	Investec Asset Management (Pty) Limited		5
Listed property	Investec Asset Management (Pty) Limited		5
Resources	Investec Asset Management (Pty) Limited		1
Credit Alpha	Investec Asset Management (Pty) Limited		2
Financial and industrial	Polaris Capital (Pty) Limited		16
Balanced	Prescient Investment Management (Pty) Limited		7
Balanced	Prudential Portfolio Managers (SA) (Pty) Limited		7
Balanced	27Four Investment Managers (Pty) Limited		2

### Local private equity

Investment performance objectives range between 15% and 30% per annum, measured over the full investment period.



Local private equity manager allocation as at 30 June 2009

Mandate	Manager		%
Single fund	Absa Capital Private Equity (Pty) Limited		18
Fund-of-funds	Brait South Africa Limited		13
Single fund	Lereko Metier Capital Growth Fund Managers (Pty) Limited		7
Single fund	Rockland Investment Management (Pty) Limited		6
Fund-of-funds	Vunani Private Equity Partners (Pty) Limited		56

### Local direct property

The Fund took a strategic decision not to invest in local direct property but rather to invest in listed property so as to gain exposure to the local property market.

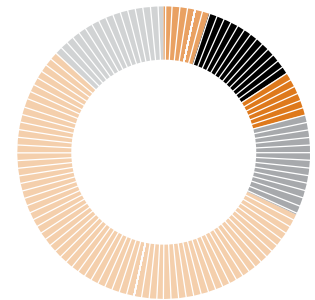


**Local bonds**

The benchmark for nominal bond managers as well as the bond hedge manager is the BEASSA Total Return Bond Index and for the inflation-linked bond manager the RSA R202 Government Bond.

Investment performance objectives (per annum) range between benchmark +0,5% and benchmark +2%.

Mandate	Manager		%
Yield enhancement	Futuregrowth Asset Management (Pty) Limited		5
Balanced	Old Mutual Investment Group (South Africa) Limited		11
Yield enhancement	Prudential Portfolio Managers (SA) (Pty) Limited		5
Balanced	Sanlam Investment Management (Pty) Limited		11
Inflation-linked	Sanlam Investment Management (Pty) Limited		55
Hedge fund	TriAlpha Investment Management (Pty) Limited		13



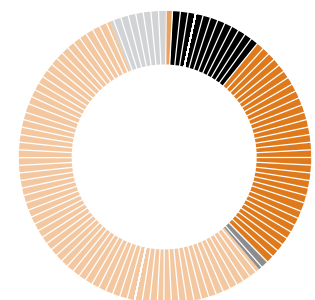
**Local bond manager allocation as at 30 June 2009**

**Local cash/hedge funds**

The benchmark for cash and hedge fund managers is the Alexander Forbes Short Term Fixed Interest Index.

Investment performance objectives (per annum) range between benchmark and benchmark +2%.

Mandate	Manager		%
Capital protection	Absa Capital Alternative Asset Management (Pty) Limited		1
Hedge fund	Brait South Africa Limited		10
Hedge fund	Edge Capital (Pty) Limited		27
Cash	Prescient Investment Management (Pty) Limited		1
Cash	Prudential Portfolio Managers (SA) (Pty) Limited		55
Tactical asset allocation	Prudential Portfolio Managers (SA) (Pty) Limited		6



**Local cash/hedge fund manager allocation as at 30 June 2009**

In addition the Fund employs the following service agents to further enhance investment returns:

**Scrip lending**

- Investec Bank Limited
- Macquarie Group Limited
- Nedbank Limited
- Société Générale
- Standard Bank Limited

**Dividend income purchase**

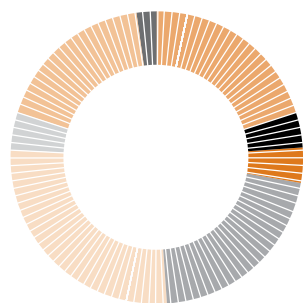
- Standard Bank Limited



### International equity

The benchmark for equity managers is the Morgan Stanley Capitalisation Index (World) (Net). The benchmark for the Africa equity managers is the 1 Month London Interbank Offered Rate (USD).

Investment performance objectives (per annum) range between benchmark +1,5% and benchmark +5%.



International equity manager allocation as at 30 June 2009

Mandate	Manager		%
Global balanced	AllianceBernstein L.P.		20
Global Credit Alpha	European Credit Management Limited		4
Global Credit Alpha	Investec Asset Management (Pty) Limited		4
Africa	Investec Asset Management (Pty) Limited		21
Global balanced	Marathon Asset Management LLP		27
Global Credit Alpha	Metropolitan Asset Managers Limited		4
Global Sovereign Alpha	Metropolitan Asset Managers Limited		18
Africa	Stanlib Asset Management Limited		2

### International private equity

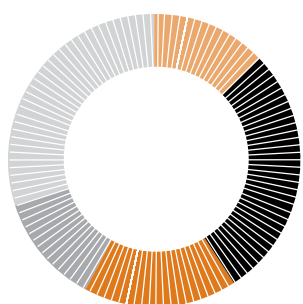
Investment performance objectives range between 15% and 20% per annum, measured over the full investment period.

Mandate	Manager	%
Fund-of-funds	Investec Bank (Switzerland) AG	54
Single fund – Global Real Estate	Investec GLL Fund Management Company S.A.	28
Single fund – Africa	Investec Asset Management Guernsey Limited	18

### International cash/hedge funds

The benchmark for cash and hedge fund managers is the 1 Month London Interbank Offered Rate (USD).

Investment performance objectives (per annum) range between benchmark and benchmark +5% per annum.



International cash/hedge fund manager allocation as at 30 June 2009

Mandate	Manager		%
Hedge fund – Asia	All Seasons Capital Management Limited		13
Hedge fund – G7	All Seasons Capital Management Limited		28
Hedge fund – Global	Octane Management Limited		17
Global tactical asset allocation	M&G Limited		12
Cash	State Street Global Advisors Limited		0
Hedge fund – Global	TriAlpha Investment Advisors Limited		30

## Benefits and membership

The Fund is a pure defined contribution pension fund. The benefit structure offers members retirement, disability, death and withdrawal benefits.

### Key membership and contribution statistics

	2009	2008
Membership at 1 July	27 963	25 782
Contributory membership at 1 July	26 117	23 797
Non-contributory membership at 1 July	1 846	1 985
Entrants*	9 004	6 064
Exits	3 507	3 883
Membership at 30 June	33 460	27 963
Contributory membership at 30 June	30 791	26 117
Non-contributory membership at 30 June	2 669	1 846
Average monthly contribution (including transfers during the year)	R132 million	R116 million

\*Included in Entrants are interim members of 994 for the current year.

### Key benefit statistics

	2009	2008
Number of pensions paid at 30 June	23 124	23 232
Total number of deaths/terminations	1 162	1 204
Members	142	175
Pensions	1 020	1 029
Number of retirement benefit claims	406	336
Number of disability benefit claims	84	73
Number of withdrawal benefit claims	3 976	3 152
Average commuted amount	R356 420	R470 856
Average monthly member pensions	R6 695	R6 176
Total annual pension payments	R1 647 million	R1 743 million

### Key administration cost statistics

	2009	2008
	%	%
Direct investment management cost ratios		
<b>Member portfolios</b>		
Wealth Builder	0,8	0,3
Inflation Protector	0,8	0,3
Pension Protector	0,6	0,3
<b>Pensioner portfolio</b>	0,5	0,2



### Administration fees per month

	2009 R	2008 R
Per member	59	58
Per pensioner	41	40
Risk benefit fee per member	23	27
Unclaimed fee per member	15	20

### Pension increases

Pension increases are considered on the recommendation of the consulting actuaries, and are based, inter alia, on the investment return achieved on the underlying assets of the pensioner portfolio. The actuarial funding level at financial year-end and the increase in the Consumer Price Index (CPIX) for the year to 30 June are also taken into account in determining an annual pension increase effective 1 November.

The Board of Trustees needs to ensure that the long-term financial stability of the Fund is not jeopardised whilst attempting to counter the erosive effect of inflation on the purchasing power of pensions. The Fund's pension increase methodology has been implemented in terms of the Pension Fund Second Amendment Act, No 39 of 2001, which includes provisions requiring pension funds to pay a specific minimum pension increase to pensioners.

Increases granted over the past five years as compared to the CPIX are as follows:

Years ended 30 June	2009	2008	2007	2006	2005
Increase in CPIX**	6,9%	11,6%	6,4%	4,8%	3,5%

Pension increase effective date	1 Nov 2009	1 Nov 2008	1 Nov 2007	1 Nov 2006	1 Nov 2005
Pension increase	6,0%	8,0%	8,0%	8,0%	8,6%
Special bonus	10,0%	10,0%	25,0%	8,33%	8,33%*

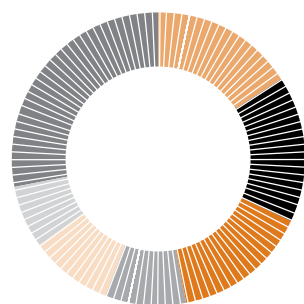
\*\*New Headline Inflation replaced CPIX in June 2009

\*December 2005

Further to the increase awarded on 1 November 2009, the Board of Trustees was able to award a once-off special bonus of 10,0% of annual pension which will be paid to pensioners in November 2009 (10,0%: November 2008).

### Contributing employers

There are 102 employers presently contributing to the Fund. The main contributing employers are:



Contributing employers

Company/Group	Membership		%
1 GoldFields	5 078		16
2 AngloGold Ashanti	5 058		16
3 Harmony Gold Mining	4 514		15
4 Lonmin Platinum	2 750		9
5 Anglo Coal	2 717		9
6 BHP Billiton	2 060		7
7 Other	8 614		28
	<b>30 791</b>		<b>100</b>

## Summary of benefits

Details of these benefits are described in the Rules, which are available at the registered office of the Fund and on the website.

### Withdrawal benefit

Upon leaving the service of an employer, either due to resignation, retrenchment or dismissal, a member has twenty-four months to decide about his/her retirement savings. Options include a deferred membership option in the Fund, transfer to another approved retirement fund or a cash withdrawal.

### Retirement benefit

Up to 1/3 of the Fund Credit may be commuted in favour of a lump sum. A monthly pension, based on the balance of a member's Fund Credit, is elected from the Fund's Pension Income Choice Model which provides for both guaranteed and flexible pensions. A member may elect to receive an early retirement benefit provided that he/she is within 10 years of normal retirement age and has reached the age of 50 years.

### Disability benefit

A pension based on the member's Fund Credit plus Disability Cover is payable. A non-contributing member is not eligible for Disability Cover.

### Death benefit (in service)

Where a member dies in service and is survived by a spouse(s), a pension based on 50% of the member's Fund Credit plus 50% of the Death Cover is payable to the spouse(s). The remaining 50% of the total Death Benefit is payable as a lump sum, in terms of the provisions of Section 37C of the Act. A non-contributing member is not eligible for Death Cover.

### Death benefit (pensioner)

If a pensioner, who retired after 1 March 2001, dies within the guaranteed period after retirement, the full pension will be paid to the surviving spouse for the duration of the guaranteed period. Thereafter, 75% (unless 100% was elected) of the pension (plus any child pension elected at retirement) is payable. If there is no surviving spouse, the pension that would have been paid for the remainder of the guaranteed period is capitalised and paid as a lump sum in terms of Section 37C of the Act. If a pensioner, who retired before 1 March 2001 dies, a spouse pension equal to 50% of the pensioner's pre-commutation pension may be payable to the spouse depending on the election made at retirement. A child pension may also be payable.

## Reserves

The following reserves were created in terms of the Rules of the Fund:

- Risk benefits to fund member disability and death benefits;
- Data reserve to fund administration errors made with the investment and disinvestment of member Fund Credits;
- Contingency reserve to meet orders against the Fund and also costs incurred in defending and investigating such orders, and other contingencies as they arise.

## Rule amendments

No Rule amendments were approved and registered during the financial year.

## Housing loan facilities

Housing loan guarantees to members were granted during the financial year in terms of rule 14.6 and the provisions of Section 19(5) of the Pension Funds Act in South Africa, and are secured by members' withdrawal benefits.

## Communication

The Fund is committed to excellence in member and pensioner communication through the provision of relevant information and education regarding the Fund, its products and benefits, available options, personal tax and other related matters. Ultimately this will enable participants to make informed decisions, and together with effective client service, promote confidence in the Fund, its performance and sustainability.

The communication and client service methodology utilised include, amongst others, the following:

- Written communication consisting of bi-annual member and pensioner newsletters, regular newswatches, brochures and booklets.
- Verbal communication through the provision of member presentations at their workplace, one-to-one member and pensioner consultation sessions and an annual pensioner presentation conducted at venues throughout South Africa based on the representative geographical distribution of pensioners.
- The use of electronic media such as the Fund website ([www.sentinelretirement.co.za](http://www.sentinelretirement.co.za)) and sms technology.
- Personal and group financial and retirement planning sessions that include topics such as taxation, investments and estate planning.
- The provision of pensioner payment advices and annual member and pensioner benefit statements.
- Client Service Centres in Parktown, Witbank, Welkom and Klerksdorp.

In recognition of the high standard of member and pensioner communication provided, the Fund was awarded an Africa Gold Quill by the International Association of Business Communicators in March 2009.

This award, together with various other communication awards received in 2008, reflects the success and commitment the Fund has to ensure that stakeholders are informed and empowered to effectively manage their individual retirement plans and ultimately retire financially comfortable.

## Corporate governance

The Fund complies with the requirements of the Pension Funds Act, No 24 of 1956 and complied in all material respects with generally accepted corporate practices as published in the King II Report on Corporate Governance for the year under review.

## Role and function of the Trustees

The Board of Trustees, the Chief Executive Officer and the Principal Officer are ultimately accountable and responsible for the performance of the Fund. They uphold this responsibility by providing strategic direction and leadership, ensuring good corporate governance and ethics, determining policy, agreeing on performance criteria and delegating detailed planning and implementing of policy to Fund management.

The Board of the Fund comprises 18 trustees, including an independent trustee who is also the chairman, and 18 alternate trustees, which includes an independent alternate trustee. Seven employer representatives are appointed by the Chamber of Mines, two employee representatives by the Mines Professional Association, two employee representatives by the National Union of Mine Workers and six employee representatives by the United Association of South Africa (UASA). The Board of Trustees appoints the independent non-executive trustee and alternate.



Members of the Board of Management, and movements during the year under review:

	Trustees	Movements		Alternates	Movements		Meetings attended*	
		Appoint-ments	Resig-nations		Appoint-ments	Resig-nations	Ordinary	Joint
	<b>Independent non-executive</b>							
1	(Chairman) AB la Grange	01/02/2005		J Liackman	01/07/2007		3	4
	<b>Non-executive employer representatives</b>							
2	N Erasmus (Mrs)	16/07/2007		MG Diliza	09/04/1998		3	5
3	AC Bardin	25/02/2004		SP Rickman	10/11/2006		2	4
4	JC Fourie	14/06/2005		ESC Vermeulen	14/06/2005		3	5
5	CM van Dyk (Mrs) DF Maritz	12/11/2007 26/01/2009	26/01/2009	DF Maritz KG Ganchie (Ms)	12/11/2007 26/01/2009	26/01/2009	3 2	4 3
6	SA Wall	20/01/2006		K Mokhobo AF Kuhn	16/07/2007 09/04/2009	30/11/2008	2 2	2 4
7	PY Williamson	21/11/2005		LJ van der Merwe	05/05/2004		2	2
8	JR Winson HH Hickey (Mrs)	27/08/2001 25/08/2008	20/08/2008	D Daya K Mourant	16/07/2007 25/08/2008	20/08/2008	3	4
	<b>Non-executive employee representatives</b>							
9	JPL Bezuidenhout	01/04/1996		SF Stehring	01/09/2003		3	5
10	J de Vos Hugo	19/01/1998		L Greyling	01/07/2005		3	4
11	JJ Henning LP Grobler	16/07/2004 11/08/2008	10/08/2008	ST Moshesh	01/06/2002		3	5
12	TJP Kruger	01/08/2003		JCLT de Carvalho	11/06/2004		3	5
13	CB Stoffle	07/03/2008		MT Mlangeni	01/11/2003		1	3
14	GJ Williams BJ Drew	15/03/2007 18/03/2009	18/03/2009	BJ Drew	01/02/2004	18/03/2009	3	5
15	NA Monaheng	01/05/2004		Y Seedat	12/05/2006		3	5
16	D Smith	29/04/1998		AC Naude	05/10/2000		3	5
17	CJJ van der Merwe	19/02/1999	06/05/2009 Deceased	D Jacobs	01/06/2002		3	4
18	DE Watcham	01/06/2002		SM Motloung	01/06/2002		3	5

\*The Board of Trustees held three ordinary meetings and five joint meetings (Sentinel Mining Industry Retirement Fund and Mine Employees Pension Fund) during the financial year.

Trustee remuneration is determined by the Human Resources Committee, which takes market trends and other relevant factors into account. Trustees are remunerated only for meetings attended.

The Board meets regularly and monitors Fund managements' compliance with policy and its achievements against objectives. A structured approach is followed for delegation, reporting and accountability, which includes reliance on various Board committees.

The Board reviews the performance and effectiveness of these committees on a regular basis, the committees being:

- Audit and Compliance Committee
- Investment Committee
- Claims Committee
- Review Committee
- Human Resources Committee

The committees of the Fund and the Mine Employees Pension Fund have joint meetings in fulfilling their responsibilities. A report back of the committee meetings is done at subsequent Board of Trustees meetings.

### **Audit and Compliance Committee**

The primary function of this committee is to report to the Board of Trustees on evidence that:

- the operations are being conducted in accordance with the objectives of the Fund;
- compliance with relevant legislation is effectively managed;
- risks are appropriately managed;
- the financial statements of the Fund reflect the underlying operations thereof; and
- all assets, liabilities and provisions are appropriately recorded.

To achieve this, the Audit and Compliance Committee has drawn together four sets of assurances – those of management, the internal audit function, the external auditors and the actuaries, based on their accountabilities.

With regard to the internal and external audit function, the Audit and Compliance Committee:

- recommends their appointment for approval by the Board of Trustees;
- reviews their audit reports;
- approves their audit plans;
- reviews their independence;
- sets principles for additional work to be performed; and
- decides on the extent of the external verification of non-financial information.

### **Investment Committee**

The committee's main responsibilities are to:

- review and recommend an overall investment policy for approval by the Board of Trustees;
- ensure that the Fund's investment policy is implemented;
- select and appoint investment consultants, investment managers and custodians;
- approve an investment mandate for each investment manager, including an appropriate benchmark for performance measurement purposes; and
- monitor investment activities.

The committee relies on professional advisers for assistance.

### **Claims Committee**

The Claims Committee is responsible for considering:

- disability benefit applications in terms of the Rules of the Fund; and
- death benefit lump sum allocation amounts in terms of Section 37C of the Pension Funds Act, No 24 of 1956.

### **Review Committee**

The committee considers/reviews benefit improvements and Rule amendments on a continual basis and makes recommendations in this regard to the Board of Trustees.

### **Human Resources Committee**

The objectives of the committee are to:

- recommend to the Board of Trustees appropriate remuneration for executives and staff;
- ensure that the right calibre of management and staff members are attracted and retained; and
- recommend remuneration for non-executive trustees/alternate trustees.

In performing its duties, the committee takes local and national remuneration levels and trends into account. The Fund has committed itself to fair employment policies and practices as defined in applicable labour legislation in general and in the Employment Equity Act, No 55 of 1998 in particular. The Fund encourages career growth for previously disadvantaged groups of employees through its training, development and education programme. Career growth, in turn, contributes to the Fund's overall business objectives. The Human Resources Committee plays an integral part in succession planning, especially for the chief executive officer and executive management. The Fund has submitted its employment equity report in accordance with legislation.



**Administration**

**Executive Committee**

FJ Visser (Chief Executive and Principal Officer)  
 N Claassen (General Manager: Operations)  
 JS Fouchè (General Manager: Finance and Investments)  
 FC Schroeder (General Manager: Stakeholder Advisory Services)

**Fund Secretary**

M Selinder (Mrs)

**Registered office**

MPF House  
 32 Sunnyside Drive  
 Sunnyside Park  
 Parktown 2193

**Postal address**

PO Box 61172  
 Marshalltown 2107

**Consulting actuaries**

Alexander Forbes Consultants  
 & Actuaries (Pty) Limited  
 61 Katherine Street  
 Sandown 2196

**External auditors**

PricewaterhouseCoopers Inc.  
 2 Eglin Road  
 Sunninghill 2157

**Internal audit service providers**

KPMG Inc.  
 KPMG Crescent  
 85 Empire Road  
 Parktown 2193

**Investment consultants**

Riscura Solutions (Pty) Limited  
 Fifth Floor  
 Montclare Place  
 Cnr Campground and Main Road  
 Claremont 7708

**Fidelity and indemnity cover**

The Board of Trustees considers the fidelity and indemnity cover to be adequate.

**Appreciation**

The Chairman of the Board of Trustees expresses his appreciation for excellent services rendered by all trustees and alternate trustees during the financial year, including those trustees and alternate trustees who have resigned or retired. The Board of Trustees also expresses sincere appreciation to the management and staff for the diligent and professional manner in which they have administered the Fund.



The annual financial statements of the Sentinel Mining Industry Retirement Fund are the responsibility of the Board of Trustees. The Board of Trustees fulfils this responsibility by ensuring the implementation and maintenance of accounting systems and practices adequately supported by internal financial controls. These controls, which are implemented and executed by the Fund's employees, provide reasonable assurance that:

- the fund's assets are safeguarded;
- transactions are properly authorised and executed; and
- the financial records are reliable.

The annual financial statements set out on pages 28 to 41 have been prepared for communication purposes with limited disclosure compared to the Financial Services Board (FSB) regulations information. The complete set of financial statements for this purpose has been prepared and reported to the FSB separately. The annual financial statements set out on pages 28 to 41 have been prepared in accordance with:

- the basis of accounting applicable to retirement funds in South Africa as indicated in the principal accounting policies contained in the notes to the financial statements on page 32;
- the financial Rules of the Fund; and
- the provisions of the Pension Funds Act in South Africa.

These financial statements have been reported on by the independent auditors, PricewaterhouseCoopers Inc., in the course of executing their statutory duties. They have been given unrestricted access to all financial records and related data, including minutes of all relevant meetings. The Board of Trustees believes that all representations made to the independent auditors during their audit were valid and appropriate. The report of the independent auditors is presented on page 26.

The financial statements of the Fund, set out on pages 28 to 41 were approved by the Board of Trustees. The financial statements have been signed by the Chairman, a Trustee and the Chief Executive Officer on behalf of the Board of Trustees.

**AB la Grange**  
Chairman

**NA Monaheng**  
Trustee

**FJ Visser**  
Chief Executive and Principal Officer

8 October 2009

I confirm that for the period under review the Sentinel Mining Industry Retirement Fund has lodged with the Registrar of Pension Funds all such returns, statements, documents and any other information required in terms of the Pension Funds Act in South Africa.

**FJ Visser**  
Principal Officer

8 October 2009





To the Trustees of Sentinel Mining Industry Retirement Fund

### Report on the summarised financial statements

The summarised financial statements set out on pages 28 to 41 have been derived from the financial statements of Sentinel Mining Industry Retirement Fund for the year ended 30 June 2009. These summarised financial statements are the responsibility of the Fund's trustees. Our responsibility is to express an opinion on whether these summarised financial statements are consistent, in all material respects, with the regulatory financial statements from which they were derived.

We have audited the regulatory annual financial statements of Sentinel Mining Industry Retirement Fund for the year ended 30 June 2009, from which the summarised financial statements were derived, in accordance with International Standards on Auditing.

In our report dated 8 October 2009, we expressed an unqualified opinion on the regulatory financial statements from which the summarised financial statements were derived.

In our opinion, the summarised financial statements are consistent, in all material respects, with the regulatory financial statements from which they are derived.

For a better understanding of the Fund's financial position and its financial performance for the year ended 30 June 2009 and of the scope of our audit, the summarised financial statements should be read in conjunction with the regulatory financial statements from which the summarised financial statements were derived and our audit report thereon.

### Restriction on use

The regulatory financial statements are prepared for regulatory purposes in accordance with the basis of preparation applicable to retirement funds in South Africa, as set out in the notes to the regulatory financial statements. Consequently, the regulatory financial statements and related auditor's report may not be suitable for another purpose.

A handwritten signature in black ink, appearing to read "GJ Kapp".

**PricewaterhouseCoopers Inc**

Director: GJ Kapp

Registered Auditor

2 Eglin Road  
Sunninghill  
2157

8 October 2009

The last statutory actuarial valuation of the Sentinel Mining Industry Retirement Fund took place at 30 June 2007, at which date the Fund's assets exceeded its liabilities.

An interim valuation was carried out at 30 June 2009.

Contributory and non-contributory members have their own individual Fund Credits, which receive the actual returns earned. The reserves attributable to members equalled 0,59% of Fund Credits at 30 June 2009. In addition, there is a risk reserve which has reduced to R101 million following the subsidy of member contributions up to December 2008. This is less than the recommended reserve of R156 million, but the Trustees are comfortable at this level.

The pensioners have a separate pool of assets in the Fund. This pool was 111,5% funded, based on market values and the new valuation basis adopted by the Trustees, at 30 June 2009. The subsequent pension increase in November 2009 will reduce the funding level to 100% plus a reserve of 4%.



**AR Pienaar**

Fellow of the Institute of Actuaries

In my capacity as valuator of the Fund and as an employee of Alexander Forbes Consultants and Actuaries, a division of Alexander Forbes Financial Services.

Sandton

8 October 2009

As at 30 June 2009

	Note	2009 Rm	2008 Rm
<b>Funds</b>			
Accumulated funds			
Members' individual accounts		13 533	15 174
Pensioner reserves		17 407	19 533
Risk reserves		101	137
Data and contingency reserves		80	73
Amounts to be allocated		32	51
		<b>31 153</b>	34 968
<b>Employment of funds</b>			
Furniture and equipment at book value	2	1	2
Investments at fair value	3	31 193	35 176
Current assets		370	411
Sundry debtors and accrued investment income		173	212
Contributions		73	43
Transfers receivable		3	39
Cash and bank		121	117
		<b>31 564</b>	35 589
<b>Total assets</b>			
Non-current liabilities		97	132
Unclaimed benefits		97	132
Current liabilities		314	489
Creditors and provisions		157	276
Benefits awarded		157	210
Transfers payable		—	3
		<b>31 153</b>	34 968
<b>Net assets</b>			



For the year ended 30 June 2009

	Note	2009 Rm	2008 Rm
<b>(Deficit)/Income</b>		<b>(1 904)</b>	2 045
Interest		858	937
Dividends		739	431
Fair value (loss)/gain on investments		(3 501)	677
<b>Expenditure</b>		<b>(205)</b>	(139)
Administration expenditure	6	(205)	(139)
Net fair value (deficit)/revenue for the year before taxation		<b>(2 109)</b>	1 906
Taxation	8	—	—
<b>Net fair value (deficit)/revenue for the year</b>		<b>(2 109)</b>	1 906

Included in the fair value loss on investments are losses of R107 million from foreign currency movements (2008: gains of R761 million)

For the year ended 30 June 2009

	Note	2009 Rm	2008 Rm
Balance at the beginning of the year		<b>34 968</b>	35 184
<i>Add: Contributions received</i>		<b>1 582</b>	1 387
– Employees		540	391
– Employers		819	709
– Section 14 transfers from other funds		223	287
<i>Less: Benefits awarded</i>		<b>(3 288)</b>	(3 509)
– Pensions		(1 682)	(1 743)
– Lump sums awarded	9	(1 599)	(1 753)
– Section 14 transfers to other funds		(7)	(13)
<i>Add: Net fair value (deficit)/revenue for the year</i>		<b>(2 109)</b>	1 906
<b>Balance at the end of the year</b>		<b>31 153</b>	34 968





For the year ended 30 June 2009

	Members Rm	Pensioners Rm	Risk benefits Rm	Data and contingency reserves Rm	To be allocated Rm	<b>Total Rm</b>
Opening balance	15 174	19 533	137	73	51	<b>34 968</b>
Contributions received	1 398	—	113	—	71	<b>1 582</b>
Benefits and interest on benefits	(1 599)	(1 682)	—	—	—	<b>(3 281)</b>
Administration fees	(20)	(9)	(7)	—	(1)	<b>(37)</b>
(Deficit)/Growth allocation	(1 069)	(931)	10	7	(89)	<b>(2 072)</b>
Gross growth and investment (losses)/income	(984)	(835)	10	7	(102)	<b>(1 904)</b>
Less: Retirement Fund Taxation	—	—	—	—	—	<b>—</b>
Less: Portfolio management fees	(85)	(96)	—	—	13	<b>(168)</b>
Transfers (out)/in	(344)	496	(152)	—	—	<b>—</b>
Section 14 transfers out	(7)	—	—	—	—	<b>(7)</b>
Closing balance	13 533	17 407	101	80	32	<b>31 153</b>

For the year ended 30 June 2009

	Note	2009 Rm	2008 Rm
<b>Cash flow from operating activities</b>			
Investment income received		1 586	1 400
Interest paid to members		—	—
Cash payments to employees and suppliers for administration of the Fund		(174)	(143)
<b>Cash generated from operations</b>	10	1 412	1 257
Taxation paid		—	—
<b>Net cash flow activities</b>		1 412	1 257
<b>Net cash outflow from transactions with members</b>		(1 792)	(2 233)
Contributions received		1 588	1 365
Benefits paid		(3 380)	(3 598)
<b>Cash deficit</b>		(380)	(976)
<b>Net cash inflow from investing activities</b>		384	822
Purchases of furniture and equipment		—	(1)
Net purchases and disposals of investments		339	1 270
Decrease/(increase) in cash and short-term deposits		45	(447)
Net increase/(decrease) in cash and bank for the year		4	(154)
Cash and bank at the beginning of the year		117	271
<b>Cash and bank at the end of the year</b>		121	117



For the year ended 30 June 2009

## 1. Principal accounting policies and presentation

- 1.1** The financial statements are prepared in accordance with the Regulations of the Pension Funds Act, No 24 of 1956 with limited disclosure. A full set of financial statements are also separately prepared in the regulatory format and submitted to the Financial Services Board. The following accounting policies have been consistently applied in the financial statements.
- 1.2** The financial statements summarise the transactions and net assets of the Fund. They do not take account of liabilities such as the payment of future pensions and other benefits. The accumulated funds as reflected are therefore not available for distribution, as these are required to meet future liabilities.
- 1.3** The financial statements are prepared in accordance with the historical cost and going concern basis, modified by investment properties and financial instruments, which are carried at fair value. Relative changes in fair value are accounted for in the revenue account. The main accounting principles, which are consistent with previous years, are:

### 1.3.1 Investments

All investments are classified and measured at fair value through the revenue account.

#### 1.3.1.1 Investment loan – Melrose Arch

The investment loan is initially recognised at fair value. Future payments received on the investment loan have been discounted to present value of cash flows at long bond rate.

#### 1.3.1.2 Financial instruments

Financial instruments comprise investments in listed and unlisted property unit trusts, loan stock and other property entities, gilts, equities, short-term deposits, derivative instruments, sundry debtors and accrued investment income, cash and bank and financial liabilities.

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition, these instruments are measured as set out below:

- *Listed investments*

For listed investments, fair value is determined on the basis of market prices ruling on the respective recognised stock exchanges at year-end.

- *Unlisted investments*

For unlisted investments, fair value is determined on the yield, net asset value or discounted cash flow method, whichever is considered to be appropriate in the circumstances.

- *Private equity investments*

Private equity investments are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

- *Foreign investments*

Foreign investments consist of listed and unlisted investments and short-term deposits. Fair value is determined on the same basis as local investments.

#### 1.3.1.3 Collective investment schemes

Collective schemes are valued at the repurchase price. Changes in fair value are included in the revenue account for the period in which it arises.

#### 1.3.1.4 Derivative instruments

Derivative instruments comprise financial futures contracts, financial option contracts, financial options on futures contracts and bond option contracts. The parameters are defined in terms of the investment strategy statement approved by the Board of Trustees. Derivative instruments are measured at fair value. Changes in fair value are included in the revenue account for the period in which it arises.

For the year ended 30 June 2009

**1. Principal accounting policies and presentation** (continued)

1.3.1 **Investments** (continued)

1.3.1.5 **Sundry debtors and accrued investment income**

Sundry debtors and accrued investment income are stated at cost less provision for impaired debts.

1.3.1.6 **Cash, cash equivalents and bank**

Cash, cash equivalents and bank are measured at fair value.

1.3.1.7 **Financial liabilities**

Financial liabilities are recognised at amortised cost, namely original debt less principal payments and amortisations, except for derivatives, which are subsequently measured at fair value.

1.3.1.8 **Provisions**

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

**1.4 Income**

1.4.1 **Direct properties**

Rental income is reflected net of direct property expenditure.

1.4.2 **Other investments**

Dividends are brought to account on the last day of trade and interest is accrued on a daily basis. Scrip dividends received are brought to account at the cash equivalent value of the dividend by charging the cost of the investment and crediting dividends received.

1.4.3 **Derivative instruments**

Changes in the market value of traded futures contracts and options are accounted for against net fair revenue for the period during which the changes take place.

1.4.4 **Scrip lending**

Income generated from scrip lending is recorded in the period of receipt. Contractual arrangements exist with various scrip lending agents. Scrip lending positions are not disclosed separately but are reported as part of the underlying holdings.

1.4.5 **Contributions**

Contributions are brought to account on the accrual basis except for voluntary contributions, which are recorded in the period in which they are received.

**1.5 Property, plant and equipment**

Depreciation is calculated using the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

Equipment	3 years
Furniture	5 years
Computer software	3 years

Gains and losses on disposal of equipment, furniture and computer software are determined by comparing proceeds with the carrying amount. These are included in the revenue account.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.



For the year ended 30 June 2009

**1. Principal accounting policies and presentation** (continued)

**1.6 Retirement benefits as employer**

**Pension**

Employees are jointly employed by the Fund and by the Mine Employees Pension Fund. Pension contributions are made to the Fund and are charged against administration expenditure as incurred. Employees' benefits are determined on a pure defined contribution pension fund structure.

**Medical Aid**

The Fund provides post-retirement benefits to employees who retired before 1 August 1999 by funding a portion of the medical aid contributions of retired employees. Provision is made for this estimated liability.

**1.7 Foreign currencies**

Transactions in foreign currencies are translated at the rate of exchange ruling at the transaction date. At year-end, assets and liabilities in foreign currencies are translated at the rates of exchange ruling at that date. Foreign exchange differences arising on translation are dealt with in the revenue account in the year in which the difference occurs against fair value revenue.

**1.8 Housing loan guarantees**

The Fund provides housing loan guarantees to members which are secured by members' withdrawal benefits, in terms of its Rules and the provisions of Section 19(5) of the Pension Funds Act in South Africa.

**1.9 Prior year comparative figures**

Prior year comparative figures have been restated where necessary to conform with changes in presentation during the current period.

For the year ended 30 June 2009

	Computer equipment and software Rm	Office equipment Rm	Furniture and fittings Rm	Total Rm
<b>2. Furniture and equipment</b>				
<b>Current</b>				
Cost				
At beginning of period	14	1	2	17
Additions	—	—	—	—
Adjustments	—	—	—	—
<b>Balance at 30 June 2009</b>	<b>14</b>	<b>1</b>	<b>2</b>	<b>17</b>
Accumulated depreciation				
At beginning of period	13	1	2	15
Depreciation	1	—	—	1
Adjustments	—	—	—	—
<b>Balance at 30 June 2009</b>	<b>13</b>	<b>1</b>	<b>2</b>	<b>16</b>
<b>Carrying value at 30 June 2009</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>1</b>
<b>Previous</b>				
Cost				
At beginning of period	13	—	2	15
Additions	1	—	—	1
Adjustments	—	1	—	1
Balance at 30 June 2008	14	1	2	17
Accumulated depreciation				
At beginning of period	11	—	2	13
Depreciation	2	—	—	2
Adjustments	—	—	—	—
Balance at 30 June 2008	13	—	2	15
Carrying value at 30 June 2008	1	1	—	2



For the year ended 30 June 2009

	Accounting policy note	2009			2008		
		Total Rm	Local Rm	Foreign Rm	Total Rm	Local Rm	Foreign Rm
<b>3. Investments at fair value</b>							
Cash and deposits		1 086	617	469	1 487	1 162	325
Loans		346	346	—	489	489	—
Debentures		4 953	4 943	10	5 262	5 262	—
Bills, bonds and securities		5 309	5 033	276	5 257	5 257	—
Equities		11 847	8 624	3 223	13 888	9 047	4 841
– Equities with primary listing on JSE		7 310	7 310	—	7 623	7 623	—
– Equities with secondary listing on JSE		808	808	—	1 208	1 208	—
– Foreign listed equities		3 170	—	3 170	3 681	—	3 681
– Equity index-linked instruments		—	—	—	38	38	—
– Unlisted equities		559	506	53	1 338	178	1 160
Preference shares		93	93	—	130	130	—
Collective investment schemes		5 214	3 615	1 599	4 636	2 503	2 133
Linked insurance policies		52	52	—	404	404	—
Derivative market instruments		(58)	(49)	(9)	25	25	—
Investment in participating employers		2 128	2 119	9	3 598	3 598	—
Other		223	31	192	—	—	—
<b>Total investments</b>		<b>31 193</b>	<b>25 424</b>	<b>5 769</b>	<b>35 176</b>	<b>27 877</b>	<b>7 299</b>
	Exchange rate conversion at 30 June 2009						
			2009			2008	
			Rm	%		Rm	%
Currency profile							
Investment held in:							
South African rand		25 424		82	27 877		79
US dollar	7,7150	5 769		18	7 299		21
		31 193		100	35 176		100

For the year ended 30 June 2009

	At 30 June 2009		At 30 June 2008	
	Notional amount Rm	Net fair value Rm	Notional amount Rm	Net fair value Rm
<b>4. Derivative instruments</b>				
Exchange-traded derivatives				
Equity futures	372	—	490	—
Bond futures	17	—	—	—
Over-the-counter derivatives				
Bond options	—	(3)	—	(10)
Equity options	—	(3)	—	35
Equity forwards	—	449	—	—
Fixed interest forwards	—	(545)	—	—
Interest rate swaps	—	—	—	—
Performance swaps	—	44	—	—
Currency swaps	—	—	—	—
<b>Total derivative instruments</b>	<b>389</b>	<b>(58)</b>	490	25

#### Notional amount

The notional amount represents the gross value of all outstanding contracts as at 30 June 2009. This gross notional value is calculated as the number of contracts multiplied by the lot size, multiplied by the current spot price. This amount will not reflect the amount receivable or payable under a derivative contract due to the cash settled nature of the various contracts. The notional amount represents only the measure of involvement by the Fund in derivative contracts and not its exposure to market or credit risks arising from such contracts.

#### Net fair value

Net fair value represents the net fair value of all outstanding derivative financial instruments at year-end. The fair value represents the market value if the rights and obligations arising from derivative instruments were closed out by the Fund in orderly market conditions at year-end. Fair values are obtained using quoted market prices, discounted cash flow models and option pricing models, where appropriate.

#### 5. Housing loan guarantees

The Fund has granted housing loan guarantees to IEMAS Co-Operative Limited for loans granted to members. Guarantees amounting to R18,8 million were in place as at June 2009 and are automatically renewed as long as the loan exists and the member remains with the Fund.

The amount of the guarantee may not exceed 50% of the Fund Credit that a member would receive if membership of the Fund was terminated for any reason.



For the year ended 30 June 2009

	<b>2009 Rm</b>	2008 Rm
<b>6. Administration expenditure</b>		
Local asset management cost	<b>138</b>	73
International asset management cost	<b>30</b>	31
Fund administration cost	<b>37</b>	35
	<b>205</b>	139
<i>Included under administration expenditure are Trustee costs of R1 601 407 (2008: R1 400 429)</i>		
<b>7. Post-retirement medical aid – former employees</b>		
The Fund provides post-retirement healthcare benefits to former employee retirees. Valuation of this obligation is carried out by independent qualified actuaries. The liability was valued at 31 December 2008. The amounts recognised as part of creditors and provisions in the balance sheet are as follows:		
Present value of obligation	<b>4</b>	4
<b>8. Taxation</b>		
Current South African Retirement Funds Tax of 0% applied from 1 March 2007 (before 1 March 2007: 9%)	<b>–</b>	–
<b>9. Lump sums awarded</b>		
Commutated pensions	<b>135</b>	214
Death of members and pensioners	<b>104</b>	60
Withdrawal benefits	<b>1 360</b>	1 479
	<b>1 599</b>	1 753



For the year ended 30 June 2009

	2009 Rm	2008 Rm
<b>10. Reconciliation of net fair value revenue to cash generated from operations</b>		
Net fair value (deficit)/revenue for the year before taxation	<b>(2 109)</b>	1 907
Interest paid to members	—	—
Adjustments for non-cash flow items	<b>3 502</b>	(675)
Depreciation	<b>1</b>	2
Accounting for fair value of investments	<b>3 501</b>	(677)
Operating surplus before changes in working capital	<b>1 393</b>	1 232
Changes in working capital	<b>19</b>	25
(Increase)/decrease in sundry debtors and accruals	<b>(11)</b>	38
Increase/(decrease) in creditors	<b>30</b>	(13)
Cash generated from operations	<b>1 412</b>	1 257
<b>11. Commitments and contingencies</b>		
<b>11.1 Capital contracts</b>		
No capital commitments exist at present.		
<b>11.2 Derivative financial instruments</b>		
Option contracts and futures contracts have been transacted. No material losses are anticipated as a result of these transactions.		
<b>11.3 Operating lease commitments</b>		
MPF House (the commitment is for the lease of office space from Growthpoint Managers. The lease expires in 2011).		
Within 1 year	<b>3</b>	3
Between 1 and 5 years	<b>5</b>	8
After 5 years	<b>—</b>	—
Omni Plus software (the commitment is for the lease of software from Sunguard Limited. The lease expires in 2012)		
Within 1 year	<b>4</b>	4
Between 1 and 5 years	<b>8</b>	12
After 5 years	<b>—</b>	—
	<b>20</b>	27



For the year ended 30 June 2009

## 12. Actuarial valuation

The statutory valuation of the Fund as at 30 June 2007 and an item valuation as at 30 June 2008 reflected that the Fund's assets exceeded its liabilities.

## 13. Related-party transactions

The following transactions between participating employers and the Fund occurred during the period:

- The participating employers made contributions to the fund for members to the value of R819 million (2008: R709 million).
- Direct investments held in participating employers at 30 June 2009 amounts to R2 128 million. Investments held per individual participating employer/group of companies did not exceed 5% individually as required by Regulation 28.

## 14. Risk management

The Fund has a dynamic approach to risk management, due to the increasing instability and volatility of investment markets and the changes in the mining industry. As risk is an unavoidable consequence of the Fund's activities, the strategy towards risk management is:

- the early identification, understanding and reporting of risk by undertaking regular reviews to ensure that appropriate actions are taken;
- the proactive management of risk to ensure that the risk profile is appropriate to the Fund's tolerance to risk;
- optimisation of the risk-return relationship;
- ensuring adequate systems of control;
- ensuring that there is a business continuity plan in place; and
- ensuring that an ongoing risk management process is in place.

In providing services to members and pensioners, the Fund manages and controls the following inherent risks:

### 1. Operational risk

The Fund faces the risk of losses arising from systems failure, processing errors, fraud, forgery and other occurrences. Operational risk is managed as part of routine operations by a system of internal controls requiring segregation of duties, training programmes and internal audit reviews. The Board of Trustees, in consulting with insurance advisers, regularly reviews the insurance cover of the Fund.

### 2. Legal risk

Legal risk is the risk that the Fund will be exposed to contractual obligations which have not been provided for. Legal representatives of the Fund monitor the drafting of contracts to ensure that rights and obligations of all parties are clearly set out.

### 3. Reputational risk

Reputational risk is the current and prospective impact on earnings and capital arising from positive or negative public opinion. A mixture of legal regulations, market dynamics, investor concerns and member demands requires that the Fund reassesses its business strategies to ensure resource efficiency as a standard practice. The Fund has a Code of Conduct to ensure that all Fund management and staff members, adhere to the Fund's policies and support processes, and are committed to ethical behaviour. By demonstrating care, diligence and good practice, the Fund's reputation can be sustained.

### 4. Regulatory risk

Regulatory risk is the risk that a change in laws or regulations will materially impact a sector, market or security. A change can increase operating costs or change the competitive landscape. This risk is managed through representation on industry bodies to ensure changes are monitored and inputs provided on behalf of the Fund. Proposed changes to the regulatory environment are monitored closely.

### 5. Governance risk

The investment strategy has been set out to provide for the members as "promised". In the event of losses resulting from poor governance and breach of both legal and strategy defined guidelines, the members' benefits may be prejudiced to some extent. This risk is managed through compliance monitoring and rules for correcting breach at all manager and product levels.



For the year ended 30 June 2009

#### 14. Risk management (continued)

##### 6. Communication risk

Poor communication can impair the credibility to deliver benefits promised by the Funds. Choices of the different benefits offered can potentially have unintended consequences should the communication lead to erroneous changes of strategy for members. Linked with this risk is that of poor education, as members may believe they are making the right choice, when in fact the choices opted for are not appropriate. To mitigate this risk, the Fund has launched a member advisory service which advises members on investment strategy changes and appropriate investment choices and benefit options.

##### 7. Adequate benefit risk

The most important risk faced by any pension fund member is that of benefit shortfall. This risk is realised if the benefits at retirement or early death are insufficient to meet the needs/expectation of the member or his/her family. To avoid this, careful planning throughout life is required, with appropriate assets being held given clear investment goals.

##### 8. Price and market risk

The Fund invests in equity, fixed interest, cash and derivative market as part of its asset management activities. Investment in foreign markets exposes the Fund to currency risk. The risk that arises from these activities is defined in terms of the potential impact of unfavourable changes in exchange rates, interest rates and market volatilities. Risk is managed by diversification of exposure to a spread of asset classes, markets and currencies which is reviewed regularly.

##### 9. Credit risk

The Fund runs a risk when a counterparty, such as a financial institution, government or other third party fails to meet its financial commitments. Credit risk is managed by utilising specific authorisation levels and limits. Exposure levels are reviewed and modified as required by changing conditions.

##### 10. Derivative instruments

The primary derivative instruments deployed include bond and equity options, forwards and futures. These instruments are used for:

- effective allocation of funds across different asset classes;
- hedging the Fund without disposal of the underlying assets;
- insurance against specific events;
- yield enhancement by taking advantage of anomalies in the derivative market pricing; and
- facilitation of the investment of cash flows into, or disinvestments out of asset classes.

The following risk control measures apply to these instruments:

Call options written and futures sold on components of the Fund's assets and/or indices are fully covered by physical assets in the Fund. Put options written and futures bought are also fully covered by the Fund's cash and/or money market instruments. Limited leverage or gearing of the Fund's portfolios is allowed by the Fund's alternative strategy managers.

##### 11. Liquidity risk

Liquidity risk occurs when the Fund is unable to realise assets at reasonable value on demand to meet its commitments as they fall due. This risk is further increased by the contraction of employment levels in the mining industry and by the maturity profile of the Fund. This risk is managed through cash flow models and maintaining an adequate pool of high-quality marketable assets.

##### 12. Asset/liability risk

Liability risks are introduced by holding assets that do not completely meet the requirements of the investment strategy. These risks are therefore judged relative to the value of the liabilities as defined by the investment policy. The Asset Liability Modelling process is specifically designed to assess these risks, and employ in the pursuit of outperformance, only as much risk as is necessary to optimise payoff to members. The asset allocation and rebalance policy is designed to ensure these risks are controlled.

##### 13. Covenant risk

Covenant risk relates to membership of a pension scheme into which the employer contributes or promises to provide pension benefits. The ability to pay for scheme benefits is called the covenant. This risk is mitigated by annual actuarial valuations. Late payment of contributions are reported as required by the Pension Fund Act and claims instituted against offending employers.

